

VZCZCXRO3110  
OO RUEHBI  
DE RUEHLM #0033/01 0091100  
ZNY SSSSS ZZH  
O 091100Z JAN 09  
FM AMEMBASSY COLOMBO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9146  
INFO RUEHLO/AMEMBASSY LONDON PRIORITY 4636  
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 2505  
RUEHNY/AMEMBASSY OSLO PRIORITY 4595  
RUEHKO/AMEMBASSY TOKYO PRIORITY 3701  
RUEHCG/AMCONSUL CHENNAI PRIORITY 8866  
RUEHBI/AMCONSUL MUMBAI PRIORITY 6246  
RUEHON/AMCONSUL TORONTO PRIORITY 0818  
RUEHGV/USMISSION GENEVA PRIORITY 3091  
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY  
RHEFDIA/DIA WASHINGTON DC PRIORITY  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY  
RUEHBS/USEU BRUSSELS PRIORITY

S E C R E T SECTION 01 OF 05 COLOMBO 000033

SIPDIS

DEPARTMENT FOR SCA

E.O. 12958: DECL: 01/08/2019

TAGS: [PGOV](#) [PREL](#) [PTER](#) [PHUM](#) [MOPS](#) [CE](#)

SUBJECT: SRI LANKA: AFTER THE FALL OF KILINCHCHI, WHAT WAY FORWARD?

Classified By: AMBASSADOR ROBERT O. BLAKE, JR. REASONS: 1.4(b,d).

1. (C) SUMMARY: The government of Mahinda Rajapaksa has achieved considerable success in its military campaign against the LTTE. The Defense Ministry under his brother, Secretary Gothabaya Rajapaksa, has had top priority for funding and other support, and has used this mandate to transform the Sri Lankan Army into a far more capable fighting force than previously. As a result, this government is now closer to expelling the Tigers from the north than ever before. This will likely initiate a new even more lethal phase of LTTE terrorism. In addition, the GSL's preoccupation with winning the war has contributed to serious human rights abuses and mounting economic challenges. Continued terrorism and governance problems underscore the need for President Rajapaksa's government to adopt a more accommodating attitude toward its national minorities, Muslims and others as well as Tamils. The U.S should be prepared to assist with stabilizing the northern Tamil-dominated areas of Sri Lanka after their liberation from the Tamil Tigers, but we need to approach this undertaking with considerable caution. We will need to condition our cooperation on concrete GSL plans to come forward with a political solution to undercut continued popular support for the LTTE and empower legitimate Tamil representatives who enjoy the support of Sri Lankan Tamils. Embassy recommends that the U.S. work with India, the Co-Chairs and others to encourage the Sri Lankan government to launch a quiet political dialogue now with Tamils and Muslims. We should also be prepared to help locate, detain and hand over to Sri Lanka or India Prabhakaran and other senior LTTE leaders should they leave the country. The U.S should join with others in assisting the return of northern IDPs, including de-mining assistance. We should consider ways to leverage new assistance flows to the north, measures to support new private sector investment from the large and wealthy Tamil diaspora, duty free access for some limited range of products from new factories built in the north, and new AID funds to establish public-private partnerships. End Summary.

Military Scenarios: How Long Will It Take?

2. (SBU) The loss of Kilinochchi and the crossroads town north of it, Paranthan, have rendered LTTE positions on the southern portion of the Jaffna peninsula untenable. They are

already effectively cut off from the main LTTE forces around the remaining Tiger bastion of Mullaitivu. The Tigers anticipated this situation and have withdrawn the bulk of their cadres and heavy equipment, such as artillery, toward Mullaitivu. Subsequently, Sri Lankan forces crossed the northern Forward Defense Line (FDL) at Muhamalai, closer to Jaffna city, essentially unopposed, and headed southeast toward the LTTE-held base at Elephant Pass, which controls the southern access to the Jaffna peninsula. On January 8 the Army reported the capture of a former Tiger base at Pallai. However, the thrust toward Elephant Pass has proceeded cautiously because of the need to clear mines and booby-traps ahead of advancing troops. Government forces should be able to occupy the entire Jaffna peninsula and Elephant Pass in a matter of days, giving them control of the entire A-9 highway up to Jaffna, although the route is heavily mined and would still be vulnerable to LTTE shelling.

¶3. (C) On the southern front of hostilities, the Sri Lankan Army is consolidating control over the town of Oddusuddan, which lies on a direct route east toward Mullaitivu. Troops are putting pressure on LTTE forces also in a push eastward from Paranthan. Government ministers have told us that they hope to gain control of Mullaitivu and thereby eliminate the LTTE as a semi-conventional force within two or three months. However, President Rajapaksa told Ambassador on January 8 that it could take several months because he was intent on avoiding large-scale civilian casualties. Our sense is that much stiff fighting remains. The commendable imperative to spare the civilian population will slow progress against

COLOMBO 00000033 002 OF 005

remaining LTTE forces. With government troops virtually on the outskirts of Mullaitivu to the south and west, our military assessment is that it might be possible to capture the town - which until now has sheltered relatively few displaced persons - in about two months, perhaps by mid-March. But it could be months longer before the GSL is able to occupy all of the north if the Tigers are able to maintain their hold over the civilian population under their control.

¶4. (C) As Army Commander Fonseka has acknowledged, that will not end the fighting. The LTTE will likely go underground, with cadres attempting to blend in with the civilian population in other parts of Sri Lanka. Some, especially the leadership, could try to leave by boat while they still hold Mullaitivu. However, it is not clear where they could go. India might tolerate a few disarmed ex-cadres washing up on its shores, but has made clear that it seeks to prosecute the Tiger leadership for the assassination of Rajiv Gandhi. In any case, we expect a new even more lethal phase of LTTE terrorism to begin. Absent a political package for Tamils that is sufficiently credible for Sri Lankan Tamils to stop providing support to the LTTE - and the Tamil Diaspora to stop funding the LTTE - the conflict is likely to grind on in another form.

Humanitarian Situation Remains Serious  
-----

¶5. (SBU) The conditions for about 300,000 civilians trapped in the north behind LTTE lines remain serious, and are likely to get worse as the space they are restricted to becomes smaller, increasing the risk for higher civilian casualties. The Internally Displaced Persons (IDPs) previously gathered around Oddusuddan have reportedly moved again, further into territory still under LTTE control. Others who fled Kilinochchi have joined many others in the Puthukkudiyiruppu (PTK) area, which has become extremely crowded. There are a number of camps along the A35 highway which would be in the direct path of a further Army advance. Schools and other facilities are overflowing. With a small number of ICRC workers in the north, and sporadic, short UN visits, there is an urgent need for a comprehensive UN needs assessment of

conditions for the IDPs. Humanitarian workers report that the food supply appears adequate, mainly due to the ten UN convoys that have made it through to the affected population. There remain urgent unmet needs for shelter, however.

¶16. (C) The IDPs remain trapped between two determined foes. The Government resists a needs assessment because they want to provide enough food that the IDPs don't starve, while keeping conditions difficult enough that the IDPs have an incentive to move into GSL-controlled areas. The LTTE has not allowed them to move to Government-controlled areas, in part so the LTTE can continue forced recruiting, in part because their presence will slow the Sri Lankan military progress. The LTTE has been recruiting civilians aggressively for years. There can be few, if any families remaining in the LTTE-controlled areas that do not have members within the LTTE ranks. The small number - in the hundreds - who have managed to escape the combat theater so far have generally not been allowed freedom of movement, but are being held in what amount to internment camps while screening for LTTE cadres or sympathizers proceeds at a glacial pace.

¶17. (C) The UN, ICRC and others who assist the displaced populations are concerned that applying this policy to hundreds of thousands of Vanni residents is a recipe for disaster. The government has prepared reception facilities for only a few thousand people in Vavuniya, an area where violent anti-LTTE militias roam at will and commit serious human rights violations and crimes like robbery and extortion on a daily basis. The UN is proposing establishing camps under international monitoring in the western Vanni, closer to the points of origin of the IDPs. This would be far enough from the fighting, but close enough to their homes that people would be more likely to leave LTTE-controlled

COLOMBO 00000033 003 OF 005

areas, if the LTTE permits. We support this idea; government officials we have spoken to, including President Rajapaksa, appear willing to consider this.

Internal Political Prognosis  
-----

¶18. (C) Domestic ("Southern") political considerations often determine the government's approach to the conflict. President Rajapaksa received very few minority votes and therefore owes little to Sri Lanka's minorities. His support is drawn almost exclusively from the Sinhalese Buddhist majority, who by themselves can ensure his re-election. Since his election in 2005, he has felt boxed in by the lack of a stable parliamentary majority. Unproductive one-upmanship and mistrust between his SLFP and the main opposition UNP have been the single most destructive political trend since the mid 1950s, stalemating any effective moves toward national reconciliation. A key part of the President's support comes from hardline nationalists, some of whom are in the Sinhalese supremacist parties JVP and JHU. We do not consider the President to be an extremist, but there are key figures in his entourage who hold chauvinist views. We, the Indians and others are worried about ascendant extremism among Sinhalese nationalists who have a different agenda: not just defeating the LTTE, but suppressing Tamil nationalism, hamstringing the effort to develop a devolution proposal and thereby blocking progress toward a political solution.

¶19. (C) The President's trump card is the success of the campaign against the LTTE. With his military victories, he may feel confident enough to call a general parliamentary election around April 2009. The Provincial Council elections in two regions on February 14 will be a key test of how deep the gratitude is within his Sinhalese base for his progress in ridding the country of the Tigers. If the President's pollsters and political advisors assess that the prospects for improving the government's position in Parliament are

only fair, he may follow his usual inclination to defer important decisions and put off the election until later. Whatever the timing, only if he emerges from an election with a more stable majority and less dependence on nationalist forces will he feel comfortable about moving publicly in the direction of concessions to the minorities.

¶10. (C) There is reason to be wary about the government's willingness to initiate post-conflict political arrangements in the northern Tamil heartland of Jaffna and the Vanni that will enjoy the support of Tamils from those areas. The current government has shown little sensitivity to Tamils' perceptions of injustice or their long-held aspirations for a modicum of self-governance in the areas where they predominate. The government's track record of delivering on commitments made to the international community on, for example, the conclusion of the All Parties Representative Committee, is generally poor. Likewise, it has reneged on commitments to improve human rights and address its and previous governments' almost unbroken failure to bring anyone to justice for past abuses. While elements of the government clearly want to engage on this, others are clearly intent on suppressing dissenting views. The past week alone has seen a brazen armed attack on a TV transmitting station and the assassination of an opposition newspaper editor. Perhaps even more important, the government has repeatedly missed its own deadlines for presenting a plan for regional power sharing through the APRC. The committee charged with developing a proposal has been short-circuited by interference from the President himself; the process stalled a year ago and has become a sham.

#### A Political Solution: the New "Peace Process"

-----

¶11. (C) The Government's steady military successes have ended its support for any talks or negotiations with the LTTE. The GSL's decision to ban the LTTE earlier this week marked the final nail in coffin for negotiations with the

COLOMBO 00000033 004 OF 005

LTTE. Since the LTTE very soon will not control territory and will likely increase terrorism, it is no longer credible for the international community to call for talks with the LTTE. We are more than ever convinced, however, that the GSL must now put forward a plan for national reconciliation that includes measures to address Tamil political demands within a united Sri Lanka, and an improvement in human rights. Otherwise, the LTTE is likely to be able to carry on a terrorist campaign with support from diaspora Tamils for years to come. The President, in his speech after the fall of Kilinochchi, characterized it as a victory over the LTTE, not of one ethnic group over another. He has previously stated that once the fighting stops, he will work towards a solution that takes into account the concerns and rights of all Tamils. However, the President is under pressure from the Sinhalese nationalist camp to move away from a political solution. A senior minister told us that the President remains committed to making an offer to the Tamils but does not want to get into a debate with Sinhalese nationalists now, while the battle continues in the north, and before the February 14 Provincial Council elections.

¶12. (C) The missing political track represents a considerable threat to Sri Lanka's future stability. Another crucial, but missing element is that of possible alternative leadership credible to Northern Province Tamils. The government will be tempted to install as Chief Minister of the Northern Province a "quisling" Tamil so it can try to micro-manage the north. One eager candidate to become the new Chief Minister of the Northern Province is Eelam Peoples' Democratic Party leader Douglas Devananda, a notorious villain who earned his place on the USG's visa watch list for his sponsorship of extrajudicial killings. We have warned the President and his Government that since Devananda would not enjoy popular Tamil support, his installation as Chief

Minister would limit U.S. ability to engage and support stabilization of the north. The President and most GSL interlocutors understand that U.S. cannot support an undemocratic, authoritarian, quisling regime in the north. We have encouraged them to engage the few Tamil moderates who have not been killed by the LTTE - such as two former Parliamentarians, Anandasangaree of the Tamil United Liberation Front and Siddharthan of the People's Liberation Organization of Tamil Eelam - to help find candidates acceptable to Vanni Tamils. Note: these figures enjoy little popular support and are themselves unlikely to be able to fill the leadership vacuum.

#### The Coming Fiscal Squeeze

-----

¶13. (C) In 2008, the government showed little inclination to take the advice of Western donor countries on board. Instead, it relied on assistance from non-traditional sources, including low interest loans from China and generous credit terms for oil imports from Iran. However, the drop in oil prices will limit Iran's future generosity and China is also experiencing an economic slowdown. Fiscal pressures are mounting. Sri Lanka drew down its foreign exchange reserves in a failed attempt to defend the rupee against the dollar. The country's export industries, including tea, garments and rubber, as well as tourism, are hurting. Remittances from workers abroad, a lifeline for the country's balance of payments, are falling, a trend that is likely to accelerate. Sri Lanka's deteriorating fiscal position will be compounded by an inability to access international capital markets to finance its deficit, officially budgeted at 6.5% of GDP for ¶2009. The global credit crunch will eventually hit all the harder because of the failure of the state-owned petroleum company, acting on an interim order from the Supreme Court, to honor oil hedging contracts with several foreign banks. Both private companies and, especially, government-owned enterprises will generally be unable to obtain import financing on normal commercial terms as a result, a trend that has already started. The GSL will find itself unable to finance northern reconstruction and will seek help from the international community. This presents both problems and opportunities for U.S. policy.

COLOMBO 00000033 005.2 OF 005

#### What the U.S. Should Do

-----

¶14. (S) As we look ahead, we recommend that the U.S. work with India, the Co-Chairs and others to:

-- Encourage the Sri Lankan government to launch a quiet political dialogue now with Tamils and Muslims so the Government is ready to announce its strategy for a political solution once the fighting is over in the next several months. (Note: the GSL has rebuffed our public and private suggestions to announce a political solution now because it thinks this might signal weakness as the military wraps up fighting in the north.) At a minimum, its strategy should include a timetable and plan for elections to elect a new Provincial Council that enjoys the support of northern Tamils; a concrete timetable for completing the APRC process, which the international community should be prepared to encourage the opposition UNP and other parties to support, provided it is credible; and measures to ensure credible devolution of power to the provinces consistent with the 13th amendment.

-- Be ready to engage to help rebuild the post-conflict North, provided we have assurances on several key matters. First, we must be confident that arrangements for local elections in the north enjoy the support of northern Tamils. Second, the government must be prepared to move quickly, with international help, to return the Vanni IDPs to their homes and lands. Third, the GSL must launch a process with UNHCR

and Muslims displaced from Jaffna to allow those Muslims to return to their homes if they choose, once demining has taken place.

The U.S. also should:

-- Be prepared to help locate, detain and hand over to Sri Lanka or India Prabhakaran and other senior LTTE leaders should they leave the country, particularly if a credible timetable and plan for a political solution that meets Tamil demands has been put forward.

-- Beyond plans for assisting the return of northern IDPs, consider ways to leverage new assistance flows to the north, which has suffered from years of under-investment and neglect, not to mention the damage from recent fighting. The most immediate need will be to assist in what is likely to be a massive de-mining task, which must precede resettlement and development activities. We also recommend S/CRS be prepared to deploy an assessment team to consider a USG-supported stabilization and development program. Beyond that, we recommend consideration of other measures to support new private sector investment, particularly from the large and wealthy Tamil diaspora. One idea would be duty free access for some limited range of products from new factories built in the north. Another would be new AID funds to establish public-private partnerships that can leverage potentially significant private sector investments.

Blake